

# Town of Milton

115 Federal St  
Milton, DE 19968



[www.ci.milton.de.us](http://www.ci.milton.de.us)

Phone: 302-684-4110

Fax: 302-684-8999

## **TOWN MANAGER'S MONTHLY FINANCIAL REPORT**

For the period ending 9/30/11:

The Town of Milton ended its 2010-11 Fiscal Year on September 30<sup>th</sup>. The following is an un-audited account of finances. Not all expenses and revenue incurred during the latter part of the fiscal year have been posted. This will warrant an adjustment to the final accounting of the last fiscal year.

### Summary

The following refers to the November 1, 2011 "Statement of Revenue and Expenditures" for the period ending 9/30/11. For a "corrected" balance of Property Tax revenue, please refer to the value posted on the additional document "Abbreviated Detail Revenue Account Status". See Chart A, below. The difference between the Property Tax revenue reported on the Statement and the corrected value below can be attributed to the manner by which some receipts were coded when entered into our accounting system. They appear as "AR Balance" on the Abbreviated Detail report – which stands for accounts receivable.

Type	General Fund +	General Fund -	Budget	Net
All Revenue	\$1,354,810.93		\$1,239,750.00	+\$115,060.93
All Expenditures		\$1,649,986.88	\$1,703,139.00	+\$53,152.12
Total Over/Under Budget				\$168,213.05 (net of rev. & exp to budget)
Budgeted deficit			\$463,389	

As the chart above indicates, revenues in the past year exceeded the budgeted, or expected, amount. The expenditures were held to less than the amount budgeted, as well.

The Statement has a column for "Anticipated" amounts of revenue or expenditure. This is a reflection of the budget passed in September 2010. A quick look at the chart above will reveal a "budgeted" deficit of \$463,389 in the 2010-11 fiscal year. The Council and administration improved the expected performance relative to both revenue and expenditures by \$168,213.05, combined.

While the combined revenue (corrected) and expenses were above and below their respective budget values, the net effect of the actual revenue and expense was a deficit of \$295,175.95 to the General Fund. This is the corrected value noted on the Statement of Revenues and Expenditures (page 6) under the heading "Total Available Revenues" (corrected with respect to the Property Tax indicated on the Abbreviated Revenue report). As previously mentioned, this amount is likely to change.

A guide to reading the budget documents and an examination of performance with relation to the prior year follows. This report concludes with an outlook for the coming year. It is important to note, though, that this report is neither audited nor a substitute for the *Management Discussion and Analysis* – an important part of the audited financial statements for any corporate or municipal entity.

## Reading the Statement of Revenues and Expenditures

There may be other ways by which the town's financial information could be presented. What you see, however, is the format provided by the accounting software chosen for its ability to integrate ordinary financial activity with utility billing, licenses and other features.

The "Statement of Revenue and Expenditures" begins with revenue accounts within the General Fund. It continues with expenditure accounts for the same. On page 6, totals for the current year, prior year and the current year budget (revenue and expense) are detailed. The "Proprietary Funds" follow and, you will see, that they relate to an enterprise within the town (trash or water service).

The column called "Balance" in the General Fund and "Excess/Deficit" in the proprietary fund refers only to the budgeted or anticipated values. It does not provide a comparison to the prior year activity. Most of the activity is in the General Fund.

Changes in values from one year to another can sometimes be attributed to changes in accounting methods. For example, there was a change in the Professional Fees Collected – Bldng Insp revenue value from \$38,817.08 in 2009-10 to \$1,276.10 in 2010-11. This is because those fees are part of the building inspection permit cost. During the past year, the portion of the building permit which is paid to a vendor to do town inspections was combined with the total permit revenue.

In the next year, you will see some operating expenses shifted to the proprietary fund. This is to account for the actual overhead cost of providing the service – including the administrative expense. Changes such as this commonly occur with regard to discrete items. They are instituted so that the town can better manage its operations over time. The changes are limited to just a few items, though.

A comparison to the prior year revenue and expenditures reveals the following differences (select items with significant changes, Chart B, below):

Type	Prior Year	Current Year	Net
Revenue - Property Tax	\$667,753.96	\$693,808.99	+\$26,055.03
Revenue – Interest Inc.	\$59,023.45	\$4,188.16	-\$54,835.29
Revenue – Transfer Tax (property sold)	\$106,534.47	\$213,708.58	+\$107,174.11
Rev. – Grant Receipts Police*	\$65,684.63	\$125,591.28	+\$59,906.65
Rev. – Sewer Impact Fees (Tidewater)	\$60,500.00	\$19,500.00	-\$41,000.00
Rev. – Building Permits & Inspection Fees	\$135,887.4	\$45,952.97	-\$89,934.40
Expenditure – Admin Salaries	\$239,368.36	\$111,756.42	-\$127,611.94
Exp. – Accounting Fees	\$9,751.00	\$43,742.51	+\$33,991.51
Exp. – Legal Fees	\$43,659.94	\$104,485.56	+\$60,825.62
Exp. – Snow Removal	\$26,799.39	\$6,355.07	-\$20,444.32
Exp. – Police (all wage categories)	\$490,586.93	\$550,429.11	+\$59,842.18

\*Some categories, such as grant receipts and engineering fees, have been shifted from general to proprietary funds in the last year. Some of the grant receipts do not appear in prior year revenue.

## Understanding the Differences

The figures in Chart B (prior page) are for illustrative purposes, only. Budgets are prepared with the best data available. Actual revenue and expense amounts can vary greatly from year to year – and several categories are not necessarily within the control of the Council and Administration. The change in Realty Transfer Tax collections (positive) and Building Permits (negative), from year to year, exemplify changes that are driven by state and national economic trends.

The difference between revenues in the 2009-10 fiscal year and the 2010-11 fiscal year is \$72,556.40. Of this, \$65,333.13 is attributable to the one-time influx of grant dollars for the Rails to Trails project. Because the dollars flowed through the General Fund, this revenue appears on the Statement. A more accurate portrayal of revenue would show a difference of only \$7,223.27.

Building Permits and Inspection Fees (-\$89,934.43), Interest Income (-\$54,835.29) and reduced sewer permit and impact fees (-\$24,950), combined with the grant, equal a difference of \$235,052.85 from 2009-10 to 2010-11. Increases of revenue in other categories, however, offset these reductions in revenue. (See pages 1-2 of the “Statement of Revenues and Expenditures”.)

Expenses in the 2010-11 fiscal year were \$224,994.67 less than in the prior fiscal year. This was a significant factor in changing the annual deficit from \$447,614.21 in the 2009-10 fiscal year to a deficit of \$295,175.95 in the 2010-11 fiscal year.

Among the most significant changes in expenses from year-to-year was the Administrative payroll, tax and benefits expense. It was reduced by \$174,937.30. This reduction is the result of turnover. Total staffing has been reduced, but payroll expenses for this department will see a slight increase with a return to a reduced, yet “full”, status in the 2011-12 fiscal year.

Chart B also illustrates the correlation between an increased grant amount (revenue) and an increased salary amount (expenditure) for the Police Department. This reflects the value of adding officers with the help of the COPS grant. There was negligible impact on the budget as a result.

Finally, there are expenses that increased from year-to-year. The legal and accounting issues that challenged the town in the past year were not typical and are not likely to be repeated in the upcoming year. As a consequence, the 2011-12 budgets for these legal and accounting expenses were reduced to 22% and 34% of the actual cost for the last year, respectively.

## Looking Forward

Through both expense-cutting and the addition of revenue measures (such as the property tax), the 2011-12 budget was passed with a deficit of approximately \$19,000. This compares quite favorably with the budget and actual figures for prior years. The deficit, furthermore, was reduced to zero with additional cost reduction measures taken soon after the new fiscal year began.

The budget for the new fiscal year that began on October 1, 2011 will be shown on reports presented in the coming months. This will be the standard by which we measure the performance of our activity as the year progresses. Your Council and staff will continue to work diligently to provide the best possible service at the lowest practical cost – every day in the coming year.

Wilmer E. Abbott, IV.  
Town Manager